

# Educational Loan Notes

## Monthly Newsletter



[MGA Home](#)

October 2008

### 2008 FALL SCHOOL WORKSHOP

As a reminder, MGA will offer its 2008 Fall School Workshops at no cost to you at the following locations:

Wednesday, November 12, 2008  
VisTaTech Center  
Schoolcraft College  
Livonia, Michigan

Thursday, November 13, 2008  
Grand Rapids Community College  
Tassell M-TEC Center  
Grand Rapids, Michigan

Tentative agenda topics include:

**Federal update.** This update will review the provisions of the Ensuring Continued Access to Student Loans Act of 2008 and new regulations issued as a result of this year's negotiated rulemaking. The session also will provide a summary of aid-related provisions of the new Veterans Affairs Appropriations Act, as well as an update on the reauthorization of the Higher Education Act of 1965, as amended. We also will examine the changes in need analysis and the financial aid delivery system for the 2009-2010 year.

**Policies and procedures.** Writing policies and procedures can be a piece of cake if you have the right ingredients. We will show you how to select the best templates, how others on campus can help, and what resources you likely already have. We'll also focus on how to address the common barriers that prevent offices from completing this task.

**Return of Title IV funds.** Participants will explore the elements of a Return of Title IV funds calculation and discuss what must be considered as a part of the calculation; review the federal requirements for deadlines and time frames; and work through hands-on case studies to understand the process. The session will conclude with tips and suggestions for ensuring that your policies and procedures manual has the necessary information related to withdrawals and Return of Title IV funds calculations.

The meeting sites are handicapped accessible, including parking. Individuals with disabilities who need mobility, visual, hearing, and/or other assistance for effective participation should indicate such needs when registering. All such requests should be directed to Jim Swisk at 1-800-642-5626, extension 37121, at least ten days before the workshop. Requests received after that time cannot be guaranteed.

The workshop announcement was sent electronically earlier this month with a complete agenda and registration form. You may also [register online](#) by visiting [www.mgaloan.com](http://www.mgaloan.com) and looking for registration information in the MGA Highlights area. If you have questions or suggestions to include in the workshops, please feel free to contact Jim Swisk at extension 37121 or via email at [swiskj@michigan.gov](mailto:swiskj@michigan.gov).

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### COHORT DEFAULT RATES: NATIONAL AND MICHIGAN SCHOOLS

In September, the U.S. Department of Education (ED) released the 2006 Cohort Default Rates (CDR). The national CDR is 5.2 percent, an increase of 0.6 percent. The CDR for all the schools

in the state of Michigan is 4.3 percent. A [comparison of the national cohort default rates](#) for the past three fiscal years broken down by school sector is available. A [comparison of Michigan schools' cohort default rates](#) for the past three years is also available.

The Michigan Guaranty Agency (MGA) will issue Certificates of Achievement to those schools that reduced their CDR by two percent from their 2005 CDR. Certificates of Achievement will be sent to schools that have had a CDR of less than ten percent for the last three consecutive years. Award of Excellence certificates will be sent to schools that have had a CDR below five percent for the last three consecutive years.

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## **JOINT STATEMENT BY TREASURY SECRETARY HENRY M. PAULSON, JR. AND DEPARTMENT OF EDUCATION SECRETARY MARGARET SPELLINGS**

Continuing constraints in our capital markets have posed challenges for students and student lenders throughout the last year. We recognize that education is the foundation of a strong American workforce and we must not let challenges in our capital markets hinder our students' opportunities. Given these ongoing concerns, the Administration is taking a series of steps to support the student loan market.

Earlier this week, President George W. Bush signed H.R. 6889, the extension of the Ensuring Continued Access to Student Loans Act. We appreciate Congress providing the Department of Education, in coordination with the Treasury Department and the Office of Management and Budget, renewed temporary powers to use federal funds to ensure students and families continue to have access to student loans.

The loan purchase and participation interest programs implemented over the last few months have helped ensure that Federal student loans were available to students enrolling in postsecondary institutions for the 2008-2009 school year, and Federal student lending is exceeding last year's pace.

Our financing program has supported just over 40 percent of the Federal Family Education Loan Program (FFELP) loans that have been disbursed this year. Over 800 lenders have enrolled in our loan purchase program. Almost \$51 billion of federally guaranteed loans have been originated for the current school year, up from approximately \$45 billion for the same period last year.

Over the next few months, schools and lenders will be making decisions for the 2009-2010 school year. Using our newly extended authorities, the Administration is moving aggressively to support the continued availability of funding for federal student loans in the next school year with the goal of restoring the government guaranteed student loan market to normal operations. We are working on an expedited basis and will make further announcements in the coming weeks.

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## **HEOA CHANGES LOAN COUNSELING REQUIREMENTS**

The Higher Education Opportunity Act (HEOA), which was signed into law August 14, 2008, requires that, in addition to the information that the Financial Aid Office provides during entrance and exit counseling, the Financial Aid Office is responsible for ensuring that students understand the following terms and conditions of their student loans:

### **Entrance Counseling Requirements**

- The effect of accepting the loan on eligibility for other forms of student financial assistance.
- How interest accrues and is capitalized when not paid by the borrower or the federal government.

- For unsubsidized Stafford or PLUS loans, the borrower's option to pay the interest while the borrower is in school.
- Definition of half-time enrollment at the school (during regular terms and summer school) and the consequences of not maintaining half-time enrollment.
- Explanation of the importance of contacting appropriate school offices so a school can provide exit counseling if the borrower withdraws before completing a program. Schools need to include information regarding the borrower's repayment options and loan consolidation.
- Obligation to repay the full loan amount even if the borrower does not complete the program or does not complete the program within the regular time for program completion.
- The likely consequences of default on the loan, including adverse credit reports, delinquent debt collection procedures under federal law, and litigation.
- Information on the National Student Loan Data System (NSLDS) and how the borrower may access the borrower's records.
- The name and contact information for the individual the borrower may contact with any questions about the borrower's rights and responsibilities or the terms and conditions of the loan.
- Encourages the use of interactive presentations to test borrower's understanding of terms and conditions (using simple, understandable text with clear formatting).
- Counseling can be provided in person, via paper (signed and returned to school), or online (with borrower acknowledgement of receipt).

### **Exit Counseling Requirements**

- Requires exit counseling for Grad PLUS loan borrowers.
- Repayment plans available, including a description of the different features of each plan, sample information showing average anticipated monthly payments under those plans, and differences in interest paid and total payments under each plan.
- Terms and conditions to obtain full or partial loan cancellation/forgiveness, plus a copy of the information from the U.S. Department of Education (ED) publication describing assistance programs.
- Terms and conditions to obtain deferment or forbearance, plus a copy of the information from the ED publication describing assistance programs, "Funding Education Beyond High School: The Guide to Federal Student Aid 2008-09." The publication is available at: [http://www.studentaid.ed.gov/students/publications/student\\_guide/2008-2009/english/index.htm](http://www.studentaid.ed.gov/students/publications/student_guide/2008-2009/english/index.htm).
- Explanation that the borrower can prepay each loan, have a shorter repayment schedule, and change repayment plans.
- Consequences of defaulting on a loan, including adverse credit reports, delinquent debt collection procedures under federal law, and litigation.
- The effects of loan consolidation, including:

- The effects on total interest to be paid, fees to be paid, and length of repayment term.
- The effects on underlying loan benefits, such as loss of grace periods, deferment, cancellation/forgiveness options.
- Option to prepay or change repayment plans.
- Variation in borrower benefit programs among different lenders
- Types of tax benefits that may be available to borrowers.
- Notice of availability of NSLDS and how the system can be used by the borrower to obtain information on the status of his or her loans.

### **Mapping Your Future**

*The following insert is from Mapping Your Future.*

Although Mapping Your Future has updated the Online Student Loan Counseling (OSLC) sessions, schools must provide the following school-specific information per the HEOA:

- A **name and contact information** for questions regarding borrower's rights and responsibilities and loan terms and conditions – put this content on the customized page. For information on how to create or edit a customized page, see the OSLC User's Guide at [mappingyourfuture.org/oslc/ugcustomization.htm#page](http://mappingyourfuture.org/oslc/ugcustomization.htm#page).
- **Definition of half-time enrollment during regular terms** and summer school, if applicable – put this content on the customized page.
- The importance of **contacting the appropriate offices if the borrower withdraws** – list the appropriate offices on the customized page.
- Provide **sample monthly repayment amounts** to borrowers – the requirements vary depending on the counseling type, as follows:
  - **Stafford entrance** – must inform Stafford borrowers of sample monthly repayment amounts based on:
    - A range of indebtedness, or
    - The average indebtedness of borrowers who have obtained Federal Stafford loans for attendance at the school or in the borrower's program of study at the school.
    - If the student borrows both Stafford and Grad PLUS loans, the sample repayment amount – if based on average indebtedness – must include both Stafford and Grad PLUS indebtedness.
  - **Grad PLUS entrance** – must inform Grad PLUS borrowers of sample monthly repayment amounts based on:
    - A range of debt levels, or
    - Average indebtedness of Grad PLUS borrowers at the school or in the program of study at the school.

- If the student borrows both Stafford and Grad PLUS loans, the sample repayment amount — if based on average indebtedness — must include both Stafford and Grad PLUS indebtedness.
- **Stafford exit** – must inform Stafford borrowers of sample monthly repayment amounts based on:
  - The borrower's actual indebtedness, or
  - The average indebtedness of borrowers who have obtained Federal Stafford or SLS loans for attendance at that school or in the borrower's program of study at the school.

Schools have several options to meet the sample repayment amount requirements:

- Display average indebtedness information for borrowers at the school (and/or the school's programs of study), along with the accompanying monthly payment amount at the maximum interest rate.
  - Include the information in correspondence to the borrower notifying him or her to complete counseling.
  - Direct borrowers to the school's website to complete online counseling and include the information on that site before the link to the counseling session.
  - Create a customized counseling start page and provide the information on that page.
- Use indebtedness customization to display an average loan amount for borrowers above the Debt/Salary Wizard portion of the counseling session. For more information about indebtedness customization, see the OSLC User's Guide at [mappingyourfuture.org/oslc/ugcustomization.htm#debt](http://mappingyourfuture.org/oslc/ugcustomization.htm#debt).

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## **MGA DISCONTINUES DISTRIBUTION OF ENTRANCE/EXIT DVDS**

Due to the additional requirements for entrance and exit counseling as a result of the HEOA, MGA has discontinued distribution of entrance and exit counseling DVDs. The DVDs were originally produced by MGA's servicer, and currently there are no plans to update the content of the DVDs to make them compliant with new HEAO requirements.

If schools decide to continue using previously distributed DVDs for entrance/exit counseling, please be advised of these additional requirements needed to remain in compliance.

### **Additional Entrance Counseling Information (if using DVD)**

- Advise the borrower of the effect of accepting the loan on eligibility for other types of student financial assistance.
- Advise the borrower that interest accrues on an unsubsidized Stafford loan or PLUS loan and is capitalized during periods when the interest is not paid by the borrower or the federal government. If allowed to be capitalized, interest will be charged on top of interest when the loans enter repayment. The borrower has the option to pay the interest on an unsubsidized Stafford loan or Grad PLUS loan while in school.
- Advise the borrower of the definition of half-time enrollment at this school, during regular terms and summer school. If the borrower's enrollment status drops to less than half-time,

the borrower no longer qualifies for in-school deferment of loan payments, and either enters grace period or the loans enter repayment. During grace period, the borrower is not required to make payments, although unsubsidized interest will continue to accrue.

- Advise the borrower of the importance of contacting the appropriate offices at the institution if he/she withdraws prior to completing his/her program of study so that the institution can provide exit counseling, including information regarding repayment options and loan consolidation.
- Advise the borrower may access information about their federal student loans and other sources of federal financial aid by visiting the Web site of the National Student Loan Data System (NSLDS) at [www.nslds.ed.gov](http://www.nslds.ed.gov) or by calling the Federal Student Aid Information Center toll-free at 1-800-4-FED-AID or TDD 1-800-730-8913.
- Provide sample monthly repayment amounts based on a range of levels of indebtedness of borrowers of subsidized or unsubsidized Stafford loans or the average cumulative indebtedness of other borrowers in the same program at the same institution.
- Provide sample monthly repayment amounts based on a range of levels of indebtedness of graduate borrowers of subsidized or unsubsidized Stafford loans or Grad PLUS loans or the average cumulative indebtedness of other borrowers in the same program at the same institution.
- Advise the borrower of the name and contact information for the individual that may be contacted if the borrower has any questions about borrower rights and responsibilities or the terms and conditions of the loan.

#### **Additional Exit Counseling Information (if using DVD)**

- Provide sample information showing the average anticipated monthly payments under each repayment plan.
- Advise the borrower of the difference in interest paid and total payments under each repayment plan.
- Advise the borrower that the U.S. Department of Education has provided additional information on deferment, forbearance, loan cancellation, and forgiveness in the publication "Funding Education Beyond High School: The Guide to Federal Student Aid 2008-09." To view this publication, visit [http://www.studentaid.ed.gov/students/publications/student\\_guide/2008-2009/english/index.htm](http://www.studentaid.ed.gov/students/publications/student_guide/2008-2009/english/index.htm).

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#### **MGA CUSTOMER SERVICES READY TO SERVE**

Many schools and lenders have already discovered a valuable resource available to them at MGA . . . the Customer Services Unit. MGA's Customer Services Unit is ready and willing to help resolve a multitude of borrower issues, including resolving Social Security number discrepancies and researching loan processing issues. MGA's Customer Services representatives are adept at working with any servicer to resolve loan issues. If your school or financial institution has not yet discovered this valuable resource, contact us at 1-800-MGA-LOAN (1-800-642-5626), extension 77009.

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#### **ALL SCHOOLS NEED TO UPDATE THEIR LINKS TO MAPPING YOUR FUTURE**

Links to the counseling sessions and customized pages changed upon implementation of the new Mapping Your Future site design on March 28. **If your school has a link to an Online Student Loan Counseling (OSLC) session and/or a customized page that hasn't been updated with new URLs, students will not arrive at their chosen destination.**

We strongly suggest you immediately ensure your links to OSLC sessions and customized pages have been updated. The **Online Student Loan Counseling (OSLC) URLs** are as follows:

- |   |   |
|---|---|
| ▪ Stafford entrance<br><a href="http://mappingyourfuture.org/se">http://mappingyourfuture.org/se</a>                        | ▪ Health Professions exit<br><a href="http://mappingyourfuture.org/hx">http://mappingyourfuture.org/hx</a>                    |
| ▪ Stafford exit<br><a href="http://mappingyourfuture.org/sx">http://mappingyourfuture.org/sx</a>                            | ▪ Nursing entrance<br><a href="http://mappingyourfuture.org/ne">http://mappingyourfuture.org/ne</a>                           |
| ▪ Spanish Stafford entrance<br><a href="http://mappingyourfuture.org/sse">http://mappingyourfuture.org/sse</a>              | ▪ Nursing exit<br><a href="http://mappingyourfuture.org/nx">http://mappingyourfuture.org/nx</a>                               |
| ▪ Spanish Stafford exit<br><a href="http://mappingyourfuture.org/ssx">http://mappingyourfuture.org/ssx</a>                  | ▪ Grad PLUS entrance<br><a href="http://mappingyourfuture.org/gpe">http://mappingyourfuture.org/gpe</a>                       |
| ▪ Perkins entrance<br><a href="http://mappingyourfuture.org/pe">http://mappingyourfuture.org/pe</a>                         | ▪ Grad PLUS exit<br><a href="http://mappingyourfuture.org/gpx">http://mappingyourfuture.org/gpx</a>                           |
| ▪ Perkins exit<br><a href="http://mappingyourfuture.org/px">http://mappingyourfuture.org/px</a>                             | ▪ Stafford and Grad PLUS combined entrance<br><a href="http://mappingyourfuture.org/sge">http://mappingyourfuture.org/sge</a> |
| ▪ Stafford and Perkins combined entrance<br><a href="http://mappingyourfuture.org/spe">http://mappingyourfuture.org/spe</a> | ▪ Stafford and Grad PLUS combined exit<br><a href="http://mappingyourfuture.org/sqx">http://mappingyourfuture.org/sqx</a>     |
| ▪ Stafford and Perkins combined exit<br><a href="http://mappingyourfuture.org/spx">http://mappingyourfuture.org/spx</a>     | ▪ TEACH Grant initial and subsequent<br><a href="http://mappingyourfuture.org/te">http://mappingyourfuture.org/te</a>         |
| ▪ Health Professions entrance<br><a href="http://mappingyourfuture.org/he">http://mappingyourfuture.org/he</a>              |   |

These URLs are much simpler, making it easier to instruct students who need to complete OSLC.

Many schools create free customized counseling start pages at the beginning of each counseling session. These customized pages have unique URLs that take students directly to the counseling start page for their school, allowing them to skip the step of selecting the counseling type, school location, and school name.

All previous customized school page URLs followed this format: <http://mapping-your-future.org/OSLCSchoolPages/?SchoolPageID=XXXX&schoolid=XXXX>.

Only the area denoted by red Xs varies depending on the school and page. For example, the URL for the MYF Demo School for Stafford entrance counseling is <http://mapping-your-future.org/OSLCSchoolPages/?SchoolPageID=5890&SchoolID=90>.

Upon implementation of the redesign, part of each customized school page URL changed as follows: **<http://mappingyourfuture.org/oslc/counseling/schoolPages.cfm?SchoolPageID=xxxx&schoolid=xxxx>**. Therefore, anyone linking to a customized school page URL needs to update that URL by replacing the content before the question mark with: <http://mappingyourfuture.org/oslc/counseling/schoolPages.cfm>.

In our example of the URL for the MYF Demo School for Stafford entrance counseling, the URL would change from:



<http://mapping-your-future.org/OSLCSchoolPages/?SchoolPageID=5890&SchoolID=90>  
to:  
<http://mappingyourfuture.org/oslc/counseling/schoolPages.cfm?SchoolPageID=5890&SchoolID=90> (where only the content in bold changes).

Schools can view the current URLs for customized pages in the FAO Access Area by doing the following:

1. Mouse over the Customize tab and click on Counseling Start Page
2. View the URLs for pages In Production in the Pagemaster Studio area.

More information on customized pages is located in the OSLC User Guide at [mappingyourfuture.org/oslc/usersguide.htm](http://mappingyourfuture.org/oslc/usersguide.htm).

For questions about updating links and/or schools' customized pages, contact Mapping Your Future staff at [feedback@mappingyourfuture.org](mailto:feedback@mappingyourfuture.org).

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## SEPTEMBER 2008 INTEGRATED COMMON MANUAL AVAILABLE

The September 2008 [Integrated Common Manual](#) is available on the Common Manual Web site at [www.commonmanual.org](http://www.commonmanual.org). You may view, download, or print the Integrated Common Manual, including the [summary of changes](#) approved September 18, 2008, by the Common Manual Governing Board.

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## PAYING FOR COLLEGE IN MICHIGAN PUBLICATION

The 2008-09 edition of *Paying for College in Michigan* is now available online at [www.michigan.gov/studentaid](http://www.michigan.gov/studentaid). On the home page, go to the Quick List, Forms and Documents,

and click on the publication title. Hard copies will be available for distribution in mid-October. To place an order for printed copies, please contact Lucy Sciotti at [sciottl@michigan.gov](mailto:sciottl@michigan.gov) or toll-free at 1-800-642-56526, extension 37054. If you have questions regarding the publication, contact Peggy LaFleur at [lafleur@michigan.gov](mailto:lafleur@michigan.gov) or by phone at extension 38319.

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## U.S. DEPARTMENT OF EDUCATION UNVEILS NEW WEB SITE

The U.S. Department of Education (ED) has unveiled [College.gov](http://College.gov), a new Web site that aims to motivate students with inspirational stories and information about planning, preparing, and paying for college. Designed with students' input and participation, College.gov was created by ED to be a go-to online resource for credible information about college that also provides real life experiences of peers who are already attending college.

College.gov delivers the following features:

- Videos of college students sharing their stories and experiences about how they overcame obstacles to achieve their college dreams.
  - An interactive tool for students to create an "I'm going" personalized roadmap that details the steps to take to get to college.
  - Content organized and presented in a way for students to easily find the answers to their higher education questions: Why Go? What to Do? How to Pay?
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## **SPECIAL ALLOWANCE RATES ANNOUNCED**

The U.S. Department of Education has announced the quarterly [special allowance rates](#) for the period ending September 30, 2008. The Treasury Department published the average of the bond equivalent rates of the 91-day Treasury bills auctioned during the quarter ending September 30, 2008, as **1.63 percent**. The average of the bond equivalent rates of the quotes of the three-month commercial paper (financial) rates in effect for each of the days in the quarter ending September 30, 2008, is **2.87 percent**.

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## **ED PIPELINE**

MGA is providing you with descriptions and links to some of the most recent correspondence for schools and lenders from the U.S. Department of Education (ED).

Dear Partner  
September 2008  
[ANN-08-13](#)

This letter announces Financial Aid Basics workshops scheduled January 2009 through September 2009. This letter also includes the link to Training for Financial Aid Professionals where you may register for the workshop that best meets your needs

Dear Partner  
September 2008  
[ANN-08-14](#)

This letter announces the availability of Federal Student Aid's recording of the online, instructor-led training session on the Fiscal Operations Report and Application to Participate (FISAP) form. Topics covered include essential information on each section of the FISAP, discussion on the most common errors in completing the FISAP, and current changes to the FISAP

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## **UPDATES TO MGA'S PARTICIPATING LENDER LIST**

MGA has updated its Participating Lender List to provide the most current information available regarding our FFELP lending partners. This revised list is updated regularly on our Web site at [mgaloan.com](http://mgaloan.com), with the date and time of the last update noted next to the link. The link may be accessed from our home page under MGA Highlights.

When downloaded, this Excel document will allow users to sort information by lender code, lender name, servicer, etc. It also provides information regarding additional lending criteria a lender may currently be utilizing.

If you have any questions regarding the revised Web-based list, please contact Pat Fromm at 1-800-642-5626, extension 36076, or via email at [frommp@michigan.gov](mailto:frommp@michigan.gov).

The following lender/servicer changes have occurred since the last issue of *Educational Loan Notes* and are reflected on the updated Participating Lender List. Please note that MGA can speak only to a lender's relationship with our agency. If you have questions regarding a lender's participation with another guarantor, we recommend you contact that lender or guarantor directly.

### **Servicer Address Update**

As noted in the [September issue](#) of *Educational Loan Notes*, Sallie Mae's new address for FFELP applications and correspondence is Sallie Mae Servicing, P.O. Box 9425, Wilkes-Barre, PA 18773-9425. This address applies to all lenders for which Sallie Mae services loans.

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## **UPDATES TO MGA'S ACTIVE MICHIGAN SCHOOL LIST**

Information has been received from schools regarding recent changes that should be recorded by lenders on MGA's "Active Michigan School List" dated July 29, 2008. If you have any questions regarding these updates, please contact Stacy Cardwell at 1-800-642-5626, extension 36074, or via email at [cardwells@michigan.gov](mailto:cardwells@michigan.gov).

### **Contact Information Update**

#### **Oakland Community College, Southfield, 002303-03**

For assistance, contact Wanda McCord, Financial Aid Officer. Wanda's telephone number is 248-233-2943, fax number is 248-233-2945, and email address is [wfmccord@oaklandcc.edu](mailto:wfmccord@oaklandcc.edu).

#### **Everest Institute, Southfield, 009828-00**

For assistance, contact Renee Rivard, Director of Student Finance. Renee's telephone number is 248-799-9933, fax number is 248-799-2912, and email address is [rrivard@cci.edu](mailto:rrivard@cci.edu).

### **Address Change**

#### **Everest Institute, Southfield, 009828-00**

This location has moved to 21107 Lahser Road, Southfield, Michigan 48033.

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## **"Q" & "A"**

### **Cash Management – Prior Year Charges**

#### **What are the basic concepts of the Minor Prior Year Charges?**

- Title IV aid is intended to be used for the period for which it is awarded.
- Only \$200 of current "year" aid may be used for prior "year" charges.
- For Pell (and campus-based aid) the "year" is the award year.
- For FFELP and FDLP the "year" is the loan period, which in some cases is the institution's or the program's Title IV academic year.
- Charging for a program up front usually creates prior year charges.
- Charging by the payment period eliminates most prior year charges.
- A contract listing the total cost for a program does not mean that the institution has to charge the student the entire cost up front.

#### **What is the difference between current year and prior year charges?**

When determining how to disburse Title IV grants, Federal Work Study (FWS), and Perkins loans for a payment period that begins after July 1, charges assessed during a payment period that began prior to July 1 must be considered prior year charges if that previous payment period is assigned to the concluding award year. Under the Department's interpretation, when an academic year or program for which a school charges all tuition or program fees up front spans two separate award years, the school cannot apply any Title IV grant or campus-based aid disbursements that occur in the next award year towards those upfront charges in excess of \$200.

#### **Where are the regulations found regarding Cash Management for institutional charges?**

Section 668.164(d) [revised in 11/01/07 final regulations] addresses the crediting of a student's account with Title IV aid by the institution for institutional charges. Among other things, it limits the amount of such aid that an institution can use to cover "prior year" charges. If an institution

charges the entire cost for an educational program up front in the first payment period, the institution assigns that entire cost to that period of time. Often when that cost is not fully paid for by the student's Title IV aid during that period, the unpaid amount is carried over to a subsequent time period that could end up being a subsequent year. If that occurs, it is a prior year charge, and the regulations along with underlying statute prohibit current year aid from being used to cover more than \$200 of that cost. If an institution charges its students so that there are few or no prior year charges to carry over to subsequent years, the institution will rarely face this situation. This can be accomplished by charging by the payment period.

### **What happens when the prior year charges total more than \$200?**

An institution cannot credit the student's account with current year aid for prior year expenses in excess of \$200. When an institution credits the student's account with current Title IV aid for more than current allowable educational expenses plus \$200 of prior year expenses, an institution has to pay directly to the student the resulting Title IV credit balance – usually within 14 days of the credit balance being created. This credit balance is given to the student for the current year non-institutional educational expenses. An institution is not allowed to circumvent the prohibition on using current year aid for prior year expenses with a process that transparently directs the money to the institution in some sort of circuitous route, such as writing a check to the student for a credit balance and having the student come in and endorse the check back to the institution.

### **How long can a credit balance be held?**

While an institution generally must pay a student his or her credit balance within 14 days of when it was created, a student can authorize an institution to hold a Title IV credit balance for later use. However, such held monies cannot be held past the current "year" (award year for Pell and loan period for FFELP) or used in violation of the prior year charges limitation.

### **Is there a solution to cover expenses when a school charges for the entire cost of a program longer than an academic year?**

An institution may encounter a problem with prior year expenses when it charges a student up front for the entire cost of a program longer than an academic year or when a program occurs in two award years. If there are no tuition charges in the subsequent loan period or award year, the student may have unpaid tuition expenses in the second year of a program from the prior year that cannot be covered by the second year's aid, except for the \$200 amount. To avoid this situation, an institution may charge the student on a payment period basis. An institution and student may enter into a contract for the entire program, with full program costs cited, allowing the institution to charge the student a fractional amount of the program's cost on a periodic basis.

Sources: NAASFA News posted 09/05/2008; *Federal Student Handbook 2008-2009*, Volume 4, Chapter 2, referenced from 34 CFR Section 668.164(d).

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## **CALENDAR OF UPCOMING EVENTS**

Following is a list of upcoming events of interest to the financial aid community. If you have any items that you would like to see added to our calendar, please contact Jim Peterson at 1-800-642-5626, extension 36944, or via email at [petersonj@michigan.gov](mailto:petersonj@michigan.gov).

### **October 2008**

- |    |  |
|----|--|
| 23 | Mapping Your Future<br><a href="#">Online Student Loan Counseling Training</a><br>11:00 a.m. |
| 28 | Mapping Your Future  |

[Online Student Loan Counseling Training](#)

3:00 p.m.

28-31 [Federal Student Aid Conference](#)

Hyatt Regency Dallas  
Dallas, Texas

#### **November 2008**

4 MGA Offices Closed

6 Mapping Your Future  
[Online Student Loan Counseling Training](#)  
11:00 a.m.

11 MGA Offices Closed

12 MGA Fall School Workshop  
Schoolcraft College  
VisTaTech Center  
Livonia, Michigan

13 MGA Fall School Workshop  
Grand Rapids Community College  
Tassel M-Tec  
Grand Rapids, Michigan

14 [High School Counselor Financial Aid Update](#)

27-28 MGA Offices Closed

#### **December 2008**

2-5 [Federal Student Aid Conference](#)  
Paris Las Vegas  
Las Vegas, Nevada

24-25 MGA Offices Closed

31 MGA Offices Closed

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